

JLB



McGRAW-EDISON COMPANY AND SUBSIDIARIES

HIGHLIGHTS OF 1969

Sales reached a record high of \$609,102,000.

Earnings were \$2.41 per share, third highest in history.

Fourth-quarter sales were \$153,096,000. Earnings were \$8,476,000, equal to 62 cents per share.

Consumer Products Divisions set sales and earnings records.

Most divisions entered 1970 with high level backlogs.

Capital expenditures, net, amounted to \$16,258,000.

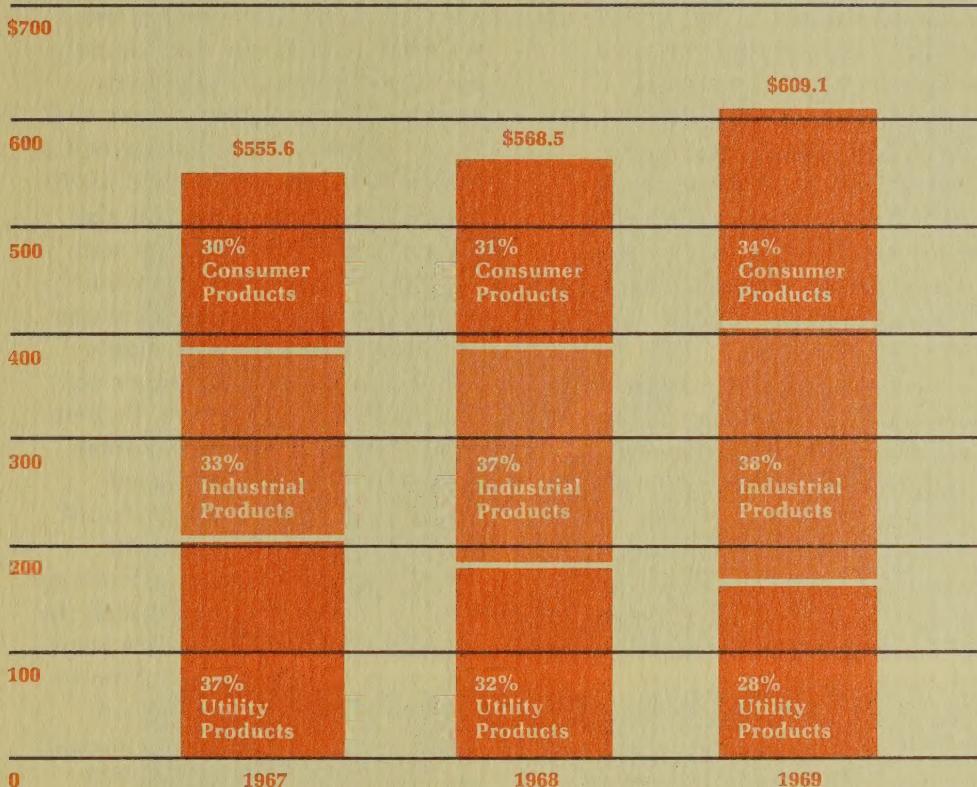
665,000 square feet of manufacturing facilities added in 1969 through acquisitions and plant expansion.

Acquisitions made for cash: Simplicity Products Limited, a Canadian washer and dryer manufacturer; three plants and fibre pipe business of the Brown Company; the electronics business and assets of Sunbeam Corporation.

95,000 shares of company stock were acquired for the treasury.

SALES BY PRODUCT LINES*

Dollar figures in millions



*To the extent practicable the foregoing chart reflects classification of our sales by product lines rather than by divisions. For this reason products sold by our Consumer Products Divisions, of an industrial nature, are included in industrial sales and products of a consumer nature which are sold by our Industrial Products Divisions are included in consumer sales. Other minor reclassifications have also been made.

TO OUR FELLOW SHAREHOLDERS:

2

With this annual report, we mark the end of a very successful decade for your Company . . . the decade of the 60's . . . which saw our sales increase by 70 per cent, from \$358,629,000 in 1960 to \$609,102,000 in 1969, and saw our earnings increase from \$1.18 per share in 1960 to \$2.41 in 1969, an increase of 104 per cent. Dividends per share during this time were also increased by 100 per cent . . . from 70 cents in 1960 to \$1.40 in 1969.

Because of certain uncontrollable economic forces which came into play, principally at our Power Systems Division, and detailed elsewhere in this report, our earnings for the year failed to reach the record high levels we earlier anticipated. They were, however, the third highest in our history. And with heavy backlog at most divisions of our Company, we enter 1970 in a very healthy position.

As we begin the decade of the 70's, we are going to make a concerted effort to bring greater public awareness to some of our famous brand names which may not be fully enough identified with our Company. To this end, we call your attention to the cover of this annual report which boldly features some of them. Also, on the inside front and the inside back covers, you will see a repetitive listing of other of our brand names which we hope to make better known to our shareholders, as well as to various other publics with whom we come into daily contact.

As part of management's program to make our Company better known

and to provide us with an opportunity to speak with a larger number of our shareholders, we are going to hold our next annual meeting in Chicago at the Continental Illinois National Bank and Trust Company. The meeting will be held at 2:00 P.M. on April 22, 1970.

Just as 1969 did, 1970 will also present a great challenge to management because of the constantly increasing costs of doing business . . . higher material costs, higher wages and salaries, and other continuing forces of inflation. To help combat these inflationary forces, we have selectively increased prices in all of the lines produced by our Company. We are also redoubling our efforts to effectively combat increased costs through the application of improvements available to us in tools and machinery; by improving our methods and organization of work flow; through use of improved material substitution where practical; and by being constantly in touch with, and making use of, the practical technological techniques available to us.

In anticipating requirements for the future, we added a total of 665,000 square feet of manufacturing space to our various divisional operations in 1969. This will enhance our ability to serve customers more effectively in 1970 and the years ahead.

During the past year, to complement our growing Fibre Products Division, we purchased for cash three plants and the fibre pipe business of the Brown Company. These additions now give us strate-

gically located plants in West Bend, Wisconsin; Birmingham, Alabama; Mount Holly, New Jersey; Sherman, Texas; and Corvallis, Oregon.

Another purchase for cash was that portion of the business and assets of Sunbeam Corporation consisting of its electronics operations conducted in Fort Lauderdale, Florida, and Fort Wayne, Indiana. This acquisition fits very nicely into our Instrument Division business which is a part of our Thomas A. Edison Industries in West Orange, New Jersey. In Canada, we also purchased for cash Simplicity Products Limited, a washer and dryer manufacturer. This operation is now a subsidiary of McGraw-Edison of Canada Limited.

In previous reports to you, we told you of our ARMETER development . . . the automatic remote meter reading system which has attracted much attention to our Company. Briefly, the system reads and bills electric, gas, and water meters over existing telephone lines. We continue to work diligently in this area and further field testing, using second generation miniaturized equipment, is now in progress.

Your Company has been the subject of a great deal of attention recently on the part of security analysts, stock brokers, and other members of the financial community. Management has had the opportunity to address meetings of analysts in New York City, Boston, and Chicago. In the coming months, we are scheduled to tell the story of your Company to other groups of

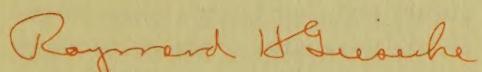
analysts in Los Angeles, Cleveland, St. Louis, and Pittsburgh. We welcome these opportunities.

Although there are indications of a temporary slowdown in the economy during the early part of 1970, we still anticipate a good year for the Company. And because we are in the fortunate position of being well diversified within an industry that our nation depends upon today and promises to continue to depend upon in the future, we look for an excellent decade of growth in the 1970's. This growth will come, we feel, because of the projected acceleration in family formations and because American industry and American consumers have an almost insatiable appetite for consuming electrical energy.

This report would be incomplete without a formal acknowledgment of the efforts of our employees who make such results and growth possible. We are pleased, too, that they are able to share in the progress of our Company through their participation in our Profit-Sharing Plan.



Alfred Bersted
Chairman of the Board

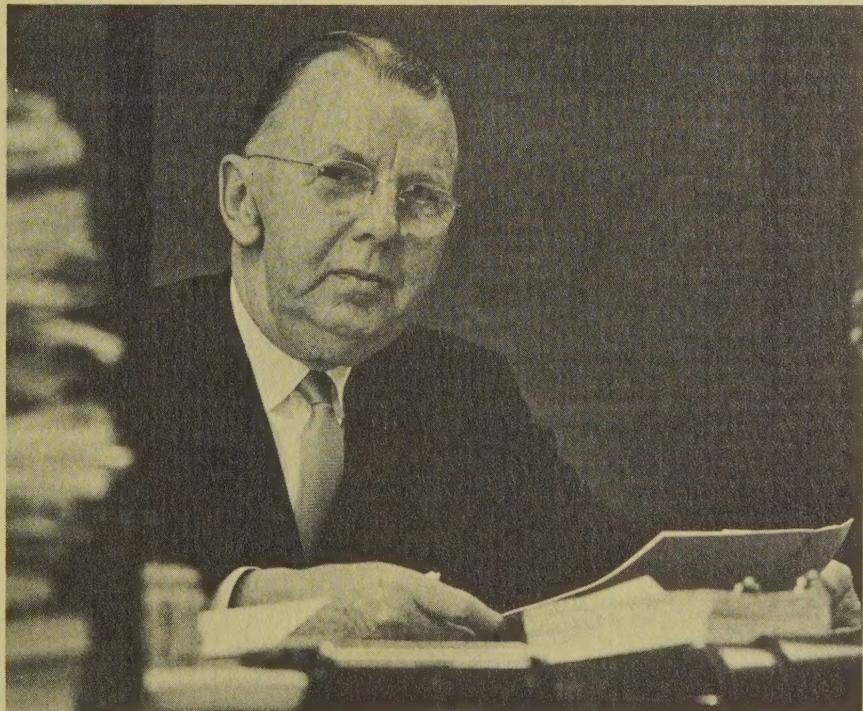


Raymond H. Giesecke
President

March 12, 1970



Alfred Bersted



Raymond H. Giesecke

REVIEW OF OPERATIONS

4

Consumer Products

The year 1969 marked another excellent year of growth for our Consumer Products Divisions with both sales and earnings reaching record high levels.



During the past 10 years, our growth in the sale of consumer appliances has exceeded the growth in national consumption of the same products. And, since it is projected that 50 per cent more people will reach marrying age during the 1970's than in the past two decades . . . with the resulting increase in family formations . . . we optimistically look forward to a continuation of this upward sales and profit trend.

In the electrical consumer goods industry, for instance, we are one of the nation's leading manufacturers of a wide range of kitchen appliances such as toasters, irons, coffeemakers, broilers, waffle bakers, mixers, and blenders, to name but some. In the field of personal care appliances, we make hair dryers, vibrators, and home hair-cutting sets. We are also a

A new four-slice Toastmaster toaster, with a self-lowering "helping handle", has recently been introduced. It features separate controls for each two-slice section. Both light and dark toast can be made at the same time, if desired.

leading producer of portable electric heaters, fans, home shop power tools, garden tools, electric clocks, and appliance timers.

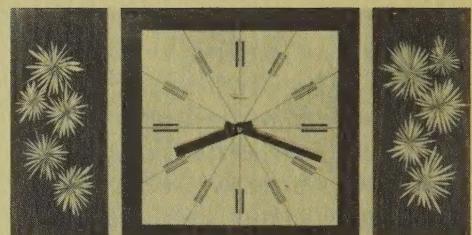
Prominent among our small appliance brand names are Toastmaster, Manning-Bowman, Eskimo, Fostoria, and Everhot. We also produce a variety of private label and special appliances for other manufacturers and for some of the nation's leading retailers.

In the field of larger appliances, we make Speed Queen electric washers and dryers; Thomas A. Edison and Coolerator air conditioners, both portable and central units; humidifiers; dehumidifiers; evaporative coolers; and space heaters and central electric heat installations for homes, as well as for other types of construction.

Our products are sold through



The handsome Speed Queen home automatic washer has an equally handsome complementary dryer unit. During 1969, Speed Queen also introduced the portable Supertwin, a roll-about washer-spin dryer combination unit designed especially for apartment and mobile home dwellers.



almost every important channel of distribution and are available at leading retail stores of all kinds. All of the products mentioned above, plus some others, are manufactured in 18 different plants throughout the United States.

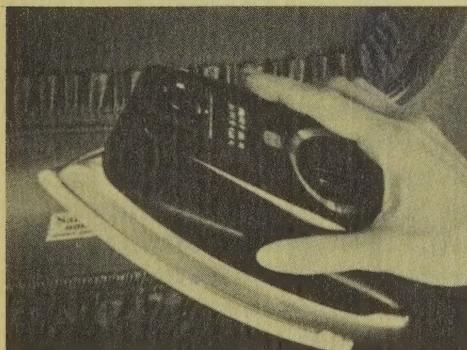
In anticipation of an accelerating demand for McGraw-Edison Company appliances in the years to come, we added almost 275,000 square feet of consumer goods manufacturing space during 1969 and are prepared to expand our facilities further as the need dictates.

To help to take full advantage of this increasing demand, we are constantly striving to effect cost reductions by upgrading our current machinery and facilities. Also, we always have new products, or improvements in existing products, coming on stream. In the past year, we introduced our exciting new concept for steam travel irons; a new line of blenders; 24-hour appliance timers; a new line of toasters; two-burner and four-burner camp stoves to take advantage of the burgeoning campers' market; and a small portable Supertwin washer and spin-dry unit, with four wash settings, designed to take advantage of the trend to apartment dwelling and mobile home living.

In the field of practical decorator items, this battery-operated wall clock is just one representative of the many styles of clocks we make for consumers.

During 1969, we had a complete sell-out of our fan line and our line of window air conditioners. And orders already booked for 1970 are far ahead of early orders last year. If weather conditions throughout the country are again favorable . . . hot, that is . . . indications are that we will produce and market an even greater number of fans and air conditioners than we did in 1969.

Among our consumer goods products, we also make Speed Queen gas-operated dryers and have a line of non-electric garden tools sold under the Village Blacksmith label.



These garden tools include such things as trowels, hand cultivators, grass whips, hedge shears, and tree trimmers, among other things. This Division also markets electric garden tools and gas engine foggers for horticultural use. This business, too, holds promise for considerable expansion in the years ahead.

In total, our broad line of high-demand consumer products and our very efficient and strategically located manufacturing facilities give us an excellent base from which to make additional gains in the consumer field in the year, and the decade, ahead.

Another first from Toastmaster—the new personal Travel Iron. Both a steam and dry iron, the unit has a single control for both uses and has been designed to fit easily into an attache or train case.

Industrial Products

In general, 1969 sales from our Industrial Products Divisions were very good except for a slowdown in the demand for commercial laundry equipment.

Most of the nine individual divisions within the group have introduced, or are about to introduce, some promising new products as a result of their own research and development programs.

Our Thomas A. Edison Industries will begin in 1970 to market a selective-sensing industrial fire detector developed by the Instrument Division. This new product applies the unique proprietary ultraviolet sensor the Division supplied for the Apollo programs. Most successful in that application, it is expected to be widely used for the protection of oil refineries, chemical plants, offshore drilling rigs, and in warehouses where speed of response, large area coverage, and immunity to false alarms are important.

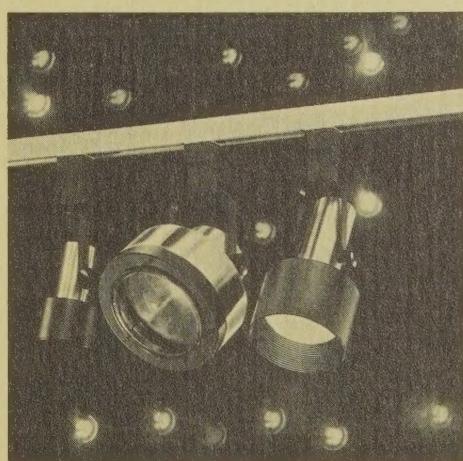
Using the same ultraviolet sensor that is in the fire detection system we have also developed an air quality monitor and an air visibility monitor that will be used in the detection and control of air pollution. These anti-pollution devices are now being successfully field tested . . . the air quality monitor in the Lincoln Tunnel in New York and the air visibility monitor (fog detection) along major highways in New Jersey.

The Measurements Division came out with eight new instruments in 1969. The solid-state,

integrated circuit signal generators, deviation, intermodulation, and megacycle meters, and a field strength calibrator have found ready markets. Their applications include servicing mobile radios, FM receivers and cable antenna television systems (CATV).

Two significant innovations by American Laundry Machinery Industries (ALMI) are meeting urgent industry needs. After 10 years of development and testing, ALMI introduced in 1969 the first successful industrial dry cleaning system to process large loads of polyester-cotton rental uniforms. And, a new machine, used at the front end of large flatwork ironing units, automatically spreads, centers, and feeds sheets into the ironer.

Using the technology which has made it a leading supplier of equipment for finishing permanent press and other synthetic fabrics, the Division is engaged in an important research project. It involves a revolutionary process using a gaseous treatment, rather than



The Power-Trac display lighting system from our Halo Lighting Division is very versatile. The decoratively styled Power-Lites are simply snapped on to the extruded aluminum track, which is also the electric power source, at whatever point along the line is most appropriate for getting the desired lighting effect.

REVIEW OF OPERATIONS (continued)

6

liquid submersion. The process has many advantages over the methods now used in all durable press systems. One is that it finishes the entire garment, including the thread, trimmings, and zippers. Test results have been satisfactory and the first commercial machine will be produced soon.

ALMI also is developing improved finishing equipment for the knitting and textile industry, and is adapting its automated industrial dry cleaning system for the same industry. The system is superior to others in providing the high volume of clean solvent required in the knitting industry, because it fully separates the solvent from contaminants between cleaning loads.

In 1969, Huebsch Originators, which makes commercial drying tumblers and related equipment, completed construction of a 150,000-square-foot fabricating plant and warehouse at Madisonville, Kentucky. Introduction of new products, largely for coin-operated laundry operations, coupled with increases in its established lines, has resulted in a 60 per cent rise in its sales volume over the past five years.

Halo Lighting Division had a good year, with increased markets for decorative lighting fixtures that were re-designed in 1968. Also, Halo launched several aggressive merchandising programs for its proprietary products, including track-mounted lights and its exclusive Feed-Thru fixtures, the first recessed units to be approved by Underwriters Laboratories, Inc.,

for through-branch circuit wiring by electrical contractors. During the year, Halo completed construction of a 46,000-square-foot plant addition to increase production capacity.

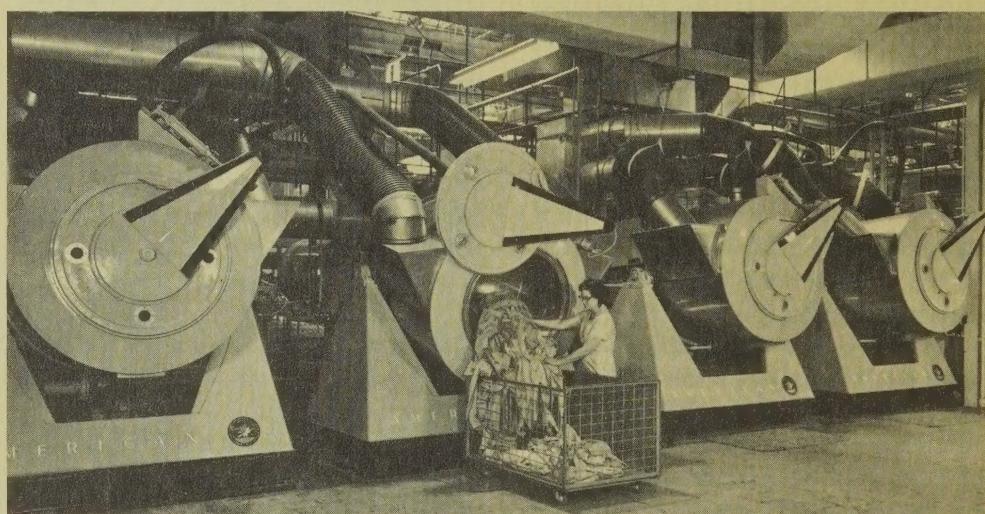
Good growth in 1969 also was recorded by McGraw-Edison's Fibre Products Division, formed in 1968. With increasing industry shipments and the continuing development of new concepts to broaden the use of bituminous fibre pipe, the outlook for 1970 and beyond is very good.

National Electric Coil Division developed a magnet assembly for the booster rings to be used in the world's most powerful atom smasher, now under construction at the National Accelerator Laboratory in Weston, Illinois. The Laboratory has ordered 50 of these assemblies, each consisting of 5,000 pounds of laminations and four hollow conductor magnet coils. In 1969, the Division also introduced a new "Millmaster" lifting magnet, which is setting new performance

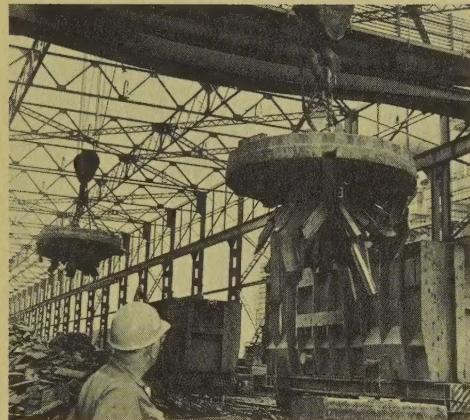
records in the steelmaking industry, and a 92-inch "Scrapmaster" lifting magnet, the largest ever offered by any manufacturer as a standard catalog item. This Division contributes steadily to group results, in part through its capabilities for repairing high-cost heavy motors and generators.

During the year, our Food Equipment Division expanded into the microwave cooking field with the introduction of two ovens designed to meet the requirements of most food service operators. New lines of convection ovens and heavy-duty commercial broilers, first marketed in 1969, also contributed to the satisfactory performance of the Division.

Our Bussmann Manufacturing Division remains unchallenged as the leading manufacturer of fuses and fuse receptacles. One of its products, the FUSETRON double-element fuse, is recognized as the single greatest development in the field of electrical protection, and



Advanced materials handling and automatic control features of American Laundry's Industrial Drycleaning System permit one operator to load, unload, and run all four of the huge 14-foot-high cleaning machines. The System is being marketed to industrial launderers for processing durable press rental work uniforms.



has been sold in the millions since it was introduced by Bussmann.

Early this year, Speed Queen introduced a new coin-operated washer unit called the Super 20. This new unit has been designed for coin-op laundry proprietors who want to provide their customers with a washer unit that will handle large wash loads.

It is expected that the electronics business we purchased from Sunbeam Corporation will contribute to both sales and earnings in 1970, as it is absorbed into our Instrument Division.

In 1969, we were forced to cancel the exclusive distribution agreement between McGraw-Edison Company and Responsive Environments Corporation relating to educational hardware because of the latter's financial difficulties. An agreement in principle has been reached whereby our Thomas A. Edison Laboratory, which developed and produced this equipment, will be transferred to another company which is to be 50 per cent owned by Prentice-Hall, Inc., a major publishing company, and 50 per cent

by McGraw-Edison Company. As part of this proposed agreement, it is expected that the new company will make a new distribution arrangement with Responsive Environments Corporation.

Prentice-Hall, Inc., will then agree to finance Responsive Environments Corporation up to \$6,000,000. This commitment will place REC on a sounder financial footing. When these agreements are finalized, McGraw-Edison Company will no longer be the manufacturer of this educational hardware. We will, however, be in a position to profit through possible eventual stock ownership in Responsive Environments Corporation, if this business prospers, as we believe it will, with the help from Prentice-Hall, Inc.

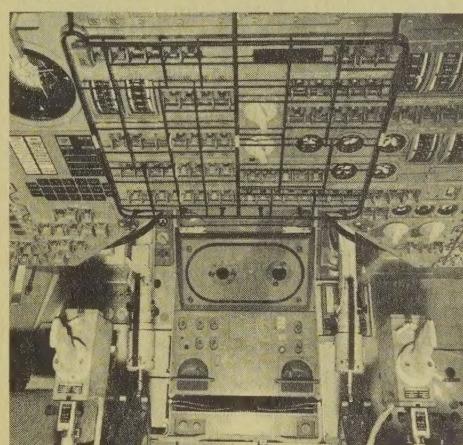
Our general confidence in the ability of these Industrial Products Divisions to increase in profitability reflects their basic strengths and diversification. Some are in virtually depression-proof areas, others serve fast-growing areas of business, while another group has the potential to grow through new product innovations they develop.

Apollo Program

When Neil Armstrong and Edwin Aldrin made their historic moon landing, personnel of several McGraw-Edison Company divisions could point with pride to the vital role played by the Company in the Apollo flights and in the total space program. For example, mission-critical functions in all command and lunar modules depended on a series of hermetically

sealed switches developed by our Daven Division. A total of 25 Daven switches were used in each moon shot, principally for control of life support system functions.

Activated by the astronauts, the devices control space suit conditioning fans, switching on main refrigerant pumps for personal environmental control, and monitoring of oxygen and water levels. Other essential functions include switching to check and monitor propellant temperatures, warning



light status, battery and power bus monitoring, and control of the rendezvous radar antenna drive. In every case, these Daven products performed perfectly.

Two other McGraw-Edison divisions that made important contributions to "the giant leap for mankind" were the Bussmann and Instrument Divisions. Bussmann supplied more than 200 fuses that protected sophisticated circuitry and electrical equipment within each Apollo command spacecraft. Among the seven circuits utilizing our fuses and fuseholders were the

McGraw-Edison's National Electric Coil Division offers a complete new line of "Scrapmaster" lifting magnets, introduced in 1969. They range in size from 30 inches in diameter up to the largest produced on a repetitive basis, 92 inches in diameter.

The control panel of the Apollo 11 command module was supported by 25 of our hermetically sealed rotary switches, which principally controlled life support system functions. More than 200 of our Buss fuses were also aboard the craft on its historic flight. At the ground level, our ultraviolet hydrogen flame detectors provided critical monitoring of fuel supply for the Apollo to detect possible leaks.

REVIEW OF OPERATIONS (continued)

8

systems for reaction control, cryogenic control, service module jettison control, and fuel cell voltage measurement. More than 50 miniature fuses were used in nine applications within the lunar modules. BUSS fuses have been used in every spacecraft, manned or unmanned, which this country has launched, including Mariner 70 and 71, the Chrysler Tow Missile, and the new Orbiting Astronomical Observatory program.

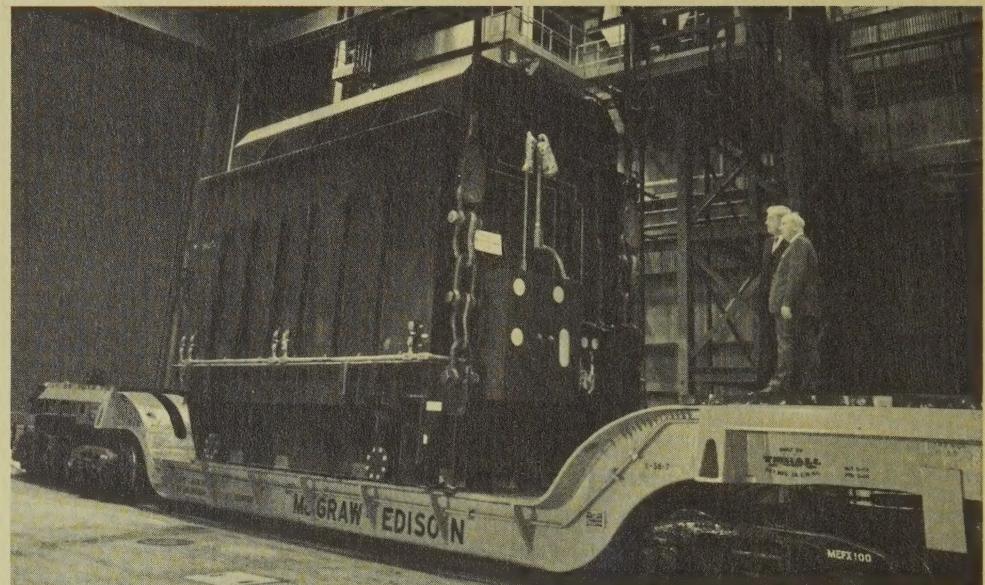
The Instrument Division was responsible for supplying vitally important equipment for the detection of hydrogen flames at various levels on the gantry and in other hazardous areas of the launch pad at Cape Kennedy. The unique sunlight-insensitive ultraviolet radiation detector was developed by the Thomas A. Edison Research Laboratory.

We are proud of the fact that all of the McGraw-Edison Company developments for the Apollo program have contributed to the smooth progress of the lunar exploration missions, and that they all functioned flawlessly.

Utility Products

Although our Power Systems Division performed profitably during the year, certain difficulties prevented its operations from coming up to our earlier expectations.

Included were work stoppages at some of our Power Systems plants and strikes at plants of some of our suppliers. These labor difficulties, added to some market softening for certain utility goods,



shipping delays caused by a shortage of high-capacity railroad flatcars, and the sharply increased costs of labor and materials referred to earlier, combined to depress the sales and earnings of this important Division.

However, the Division's backlog of orders for utility equipment at year's end was higher than a year earlier, and new orders are running near an all-time high.

Late in 1969, we completed a 250,000-square-foot addition to our main Canonsburg, Pennsylvania, plant. This will increase the production capacity of this plant by 25 per cent and provide us with the capability to handle more efficiently an increasing demand for extra large power transformers and circuit breakers. We have also made improvements in our facilities in East Stroudsburg, Pennsylvania; Birmingham, Alabama; Milwaukee, Wisconsin; and Zanesville, Ohio. A

significant expansion program is also under way at Macomb, Illinois.

To help overcome the flatcar shortage mentioned above, we have begun purchasing our own giant flatcars designed especially for shipping very heavy power transformers. The first car has already been delivered . . . a 10-axle, 20-wheel, 84-foot unit which can carry a load of 509,000 pounds. The second special car will be delivered in 1970. Its carrying capacity will be over 700,000 pounds.

Through its own sophisticated research and development facilities, the Division is responsible for a number of key innovations in the industry. The Fault-Gas detector and monitor that spots potential transformer trouble, the Auto-Booster regulator to improve branch line service, self-regulating distribution transformers, and automatic reclosing oil circuit breakers that quickly restore interrupted electric

The first giant flatcar, designed especially for the Power Systems Division to carry its very heavy power transformers, was delivered in October, 1969. This car has a capacity of 509,000 pounds and is shown being loaded with a 457,000-pound transformer.

service are among the most notable of many technological contributions from Power Systems.

Most recently, Power Systems has developed an automatic remote meter reading system for gas, water, and electrical utilities, called ARMETER. Second generation ARMETER equipment is now being field tested, after some delays in obtaining the necessary peripheral equipment which McGraw-Edison Company does not make.

Earlier field tests were very successful and current testing on New Jersey Bell Telephone lines is expected to validate the system thoroughly. While there are obstacles of installation costs and regulations governing extraneous attachments to telephone equipment as well as tariffs, the system

has won high praise from many major utility companies. By virtue of the enormous potential for applications of our ARMETER system, and our leadership position in the development of this concept, it represents an area of good promise in the years ahead.

A new product, introduced late in 1968, has helped reinforce McGraw-Edison Company's position as a leader in outdoor lighting applications. Called Unidor™, it is a luminaire designed for street and highway illumination. The design greatly simplifies maintenance by providing a lower power deck, containing the entire ballast and optical assembly, which swings down from the upper housing. A newly patented indicator to check the level condition of a luminaire from a distance has become standard on larger McGraw-Edison Company units and is being made available to other manufacturers.

In 1969, Power Systems Division also:

- Developed two new vacuum reclosers, devices that protect lines and equipment by interrupting circuits.
- Introduced capacitors using film rather than paper as an insulating component. Capacitors store power and correct for voltage drop.
- Marketed a new line of metal-clad switchgear utilizing a spring-operated breaker.

Another current project which has reached an advanced stage is a power supply system for use in connection with long-range ballistic missiles. Its application would be

for post-attack supply, if all other available power sources were inoperative. The system is a classified project and is now being evaluated by the U.S. Air Force. The tech-



nical research involved in the development of this program appears to have useful applications also for Power Systems' commercial business, as well as for the commercial business of our Primary Battery Division.

In June of this year, a major labor contract at our Canonsburg plant will expire. We are hopeful that a new contract can be successfully negotiated so that prolonged work stoppages do not occur. With this accomplished, our Power Systems Division should do well in 1970 and in the years beyond. The electrical utility industry represents a multi-billion dollar growth market and we are in the fortunate position of being one of its major suppliers. We are one of the three major manufacturers in the U.S. that can make the huge, extra-high voltage transformers that are in growing demand. And we are getting a good share of this business.



Late in 1969, Power Systems Division began production in the 250,000-square-foot addition to its main plant at Canonsburg, Pennsylvania. With the most advanced machinery available, the Division will achieve greater economy and efficiency in meeting the growing demand for large power transformers and circuit breakers.

Backlogs were higher at the end of the year for Power Systems utility equipment than a year earlier. New orders were being received at a near all-time high level. These distribution transformers are ready for shipment.

McGRAW-EDISON COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

For the Years Ended December 31, 1969 and 1968

10

	1969	1968
Income:		
Net sales	\$609,102,000	\$568,548,000
Net income of EAC Credit Corporation	574,000	750,000
Miscellaneous income, net	1,679,000	1,734,000
Total income	\$611,355,000	\$571,032,000
Deductions:		
Materials and services purchased from others	\$324,844,000	\$303,760,000
Wages, salaries, commissions, and employee benefit costs	207,345,000	188,197,000
Provision for depreciation (principally sum-of-the-years' digits method)	12,013,000	10,486,000
Federal, State, and Canadian taxes on income	34,182,000	34,966,000
Total deductions (Note 3)	\$578,384,000	\$537,409,000
Income before extraordinary items (per share: 1969—\$2.41; 1968—\$2.44)	\$ 32,971,000	\$ 33,623,000
Gain on sale of plant and equipment, less extraordinary charges, net of applicable income taxes (per share: 1968—\$.03)	—	403,000
Net income (per share: 1969—\$2.41; 1968—\$2.47)	\$ 32,971,000	\$ 34,026,000

Per share figures are based on average number of shares outstanding during the year.

CONSOLIDATED STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

For the Years Ended December 31, 1969 and 1968

	1969	1968
Balance at Beginning of Year	\$200,277,000	\$185,552,000
Net income for the year	32,971,000	34,026,000
Dividends paid (\$1.40 per share in 1969 and 1968)	(19,182,000)	(19,301,000)
Balance at End of Year	\$214,066,000	\$200,277,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

McGRAW-EDISON COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Years Ended December 31, 1969 and 1968

	1969	1968
Funds obtained from:		
Net income for the year	\$ 32,971,000	\$ 34,026,000
Provision for depreciation	12,013,000	10,486,000
Dividends received from EAC Credit Corporation	450,000	3,000,000
Earnings retained in EAC Credit Corporation	(574,000)	(750,000)
Increase in long-term notes payable	—	1,958,000
Proceeds from sale of 45,945 shares of stock in 1969 and 31,176 in 1968 sold under stock option plans	1,153,000	730,000
	\$ 46,013,000	\$ 49,450,000
Funds applied to:		
Dividends paid	\$ 19,182,000	\$ 19,301,000
Investment in plant and equipment, net	16,258,000	22,834,000
Purchase of 95,000 shares in 1969 and 100,000 shares in 1968 of McGraw-Edison Company stock for treasury	3,455,000	3,809,000
Increase in working capital	5,825,000	3,190,000
Decrease in long-term notes payable	1,002,000	—
All other—net	291,000	316,000
	\$ 46,013,000	\$ 49,450,000

CONSOLIDATED STATEMENT OF ADDITIONAL PAID-IN CAPITAL

For the Years Ended December 31, 1969 and 1968

	1969	1968
Balance at Beginning of Year	\$ 54,928,000	\$ 57,939,000
Cost in excess of par value of 95,000 treasury shares acquired in 1969 and 100,000 in 1968	(3,360,000)	(3,709,000)
Proceeds in excess of par value of 45,945 shares of stock in 1969 and 31,176 in 1968 sold under stock option plans	1,107,000	698,000
Balance at End of Year	\$ 52,675,000	\$ 54,928,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

McGRAW-EDISON COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET December 31, 1969 and 1968

12

Assets	1969	1968
Current Assets:		
Cash and marketable securities	\$ 11,127,000	\$ 24,688,000
Receivables, less reserves (\$4,135,000 in 1969 and \$3,677,000 in 1968)	99,637,000	86,710,000
 Inventories, at lower of cost (substantially first-in, first-out basis) or market:		
Raw materials	\$ 55,335,000	\$ 49,674,000
Work in process	50,033,000	41,371,000
Finished goods	53,322,000	54,071,000
	\$158,690,000	\$145,116,000
Total current assets	\$269,454,000	\$256,514,000
 EAC Credit Corporation, equity in net assets (\$5,499,000 in 1969 and \$5,375,000 in 1968) and note receivable	\$ 10,499,000	\$ 10,375,000
Prepaid Expenses and Other Assets	5,269,000	4,978,000
 Plant and Equipment, at cost:		
Land	\$ 2,579,000	\$ 2,732,000
Buildings	52,189,000	48,658,000
Machinery and equipment	124,272,000	113,480,000
	\$179,040,000	\$164,870,000
Less—Accumulated depreciation	103,556,000	93,631,000
	\$ 75,484,000	\$ 71,239,000
	\$360,706,000	\$343,106,000

The accompanying notes to consolidated financial statements are an integral part of this statement.

McGRAW-EDISON COMPANY AND SUBSIDIARIES

13

Liabilities	1969	1968
Current Liabilities:		
Portion of long-term notes due within one year	\$ 995,000	\$ 891,000
Notes payable to banks	8,812,000	—
Accounts payable	30,612,000	33,601,000
Accrued liabilities	25,676,000	24,147,000
Federal, State and Canadian taxes on income	7,826,000	8,167,000
 Total current liabilities	 \$ 73,921,000	 \$ 66,806,000
 Long-term Notes Payable, less current portion (Note 1)	 \$ 6,387,000	 \$ 7,389,000
 Stockholders' Equity:		
Common stock—authorized 18,000,000 shares; \$1 par value per share; outstanding 13,656,542 shares in 1969 after deducting 200,334 shares in treasury (Notes 2 and 4)	\$ 13,657,000	\$ 13,706,000
Additional paid-in capital	52,675,000	54,928,000
Earnings retained for use in the business	214,066,000	200,277,000
 \$280,398,000	 \$268,911,000	
 \$360,706,000	 \$343,106,000	

McGRAW-EDISON COMPANY AND SUBSIDIARIES

EAC CREDIT CORPORATION

A wholly owned subsidiary of McGraw-Edison Company

BALANCE SHEET

December 31, 1969 and 1968

14

Assets	1969	1968
Cash	\$ 628,000	\$ 1,377,000
Installment notes receivable (due after one year: \$29,790,000 in 1969 and \$23,919,000 in 1968)	\$ 52,193,000	\$ 42,652,000
Deduct:		
Reserve for losses	(832,000)	(877,000)
Unearned finance income	(7,630,000)	(5,723,000)
Dealers' reserves	(2,046,000)	(757,000)
	\$ 41,685,000	\$ 35,295,000
Miscellaneous	471,000	401,000
	\$ 42,784,000	\$ 37,073,000
Liabilities		
Current Liabilities:		
Portion of long-term notes due within one year	\$ 800,000	\$ —
Notes payable	26,433,000	21,525,000
Accounts payable	1,662,000	920,000
Accrued liabilities	68,000	58,000
Federal taxes on income	122,000	195,000
Total current liabilities	\$ 29,085,000	\$ 22,698,000
Long-term Liabilities:		
4.875% note payable, \$800,000 due annually to 1974, less current portion	\$ 3,200,000	\$ 4,000,000
6% junior subordinated note to McGraw-Edison Company, payable in 1974	5,000,000	5,000,000
	\$ 8,200,000	\$ 9,000,000
Stockholder's Equity:		
Capital stock	\$ 3,000,000	\$ 3,000,000
Additional paid-in capital (no change during 1969 or 1968)	271,000	271,000
Earnings retained for use in the business (after deducting \$450,000 of dividends paid to McGraw-Edison Company in 1969 and \$3,000,000 in 1968) (see Note)	2,228,000	2,104,000
	\$ 5,499,000	\$ 5,375,000
	\$ 42,784,000	\$ 37,073,000

Note:

Under the terms of the 4.875% loan agreement, among other things, EAC Credit Corporation may not pay dividends on or acquire its own capital stock or pay interest or principal on the junior subordinated note, except to the extent of consolidated net earnings available for restricted payments (as defined). As of December 31, 1969, \$445,000 of earnings retained for use in the business was not restricted under these provisions.

McGRAW-EDISON COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1969

Note 1

Long-term debt represents several notes payable with interest rates ranging from 4% to 5^{3/4}%. Principal payments are required each year in amounts ranging from \$464,000 to \$1,000,000 during the years 1970 through 1976 and from \$30,000 to \$348,000 during the years 1977 through 1990. Some of the loan agreements provide restrictions with respect to working capital, payment of cash dividends, etc., which are not significant to the Company's present operations or financial position.

Note 2

Under the Company's stock option plans, 334,040 shares of stock were reserved at December 31, 1969 for issuance to key officers and employees. Options were exercised for 45,945 shares in 1969 and 31,176 shares in 1968. Options were cancelled due to deaths, terminations, etc., for 5,142 shares in 1969 and 5,852 shares in 1968. New options were granted for 15,750 shares in 1969 and for 29,825 shares in 1968. Prior to January 1, 1964, options were granted at not less than 95% of market value at date of grant and expire 10 years after date of grant. Subsequent to that date options have been granted at not less than market value at date of grant and expire 5 years after date of grant.

At December 31, 1969, options to purchase 149,621 shares of stock at an average price of \$31.11 were outstanding, of which options for 93,208 shares were exercisable.

Note 3

Total deductions in the consolidated statement of income consist of the following:

	1969	1968	15
Cost of Sales	\$447,947,000	\$415,589,000	
General, administrative, engineering and selling expenses	96,255,000	86,854,000	
Federal, State and Canadian taxes on income	34,182,000	34,966,000	
	<u>\$578,384,000</u>	<u>\$537,409,000</u>	

Note 4

Changes in McGraw-Edison Company \$1 par value, common stock during the year 1969 were as follows:

	Shares Issued	Shares in Treasury	Shares Issued And Outstanding
Balance December 31, 1968	13,810,931	105,334	13,705,597
Shares issued under stock option plans	45,945	—	45,945
Shares acquired for treasury.	—	95,000	(95,000)
Balance December 31, 1969	<u>13,856,876</u>	<u>200,334</u>	<u>13,656,542</u>

AUDITORS' REPORT

To the Stockholders and Board of Directors, McGraw-Edison Company:

We have examined the consolidated balance sheet of McGRAW-EDISON COMPANY (a Delaware corporation) AND SUBSIDIARIES as of December 31, 1969, and the related statements of income, additional paid-in capital, earnings retained for use in the business and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have also made a similar examination of the balance sheet of EAC Credit Corporation (a Delaware corporation and a wholly owned subsidiary of McGraw-Edison Company) as of December 31, 1969. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, (1) the accompanying financial statements of McGraw-Edison Company and Subsidiaries present fairly their financial position as of December 31, 1969, and the results of their operations and source and application of funds for the year then ended, and (2) the accompanying balance sheet of EAC Credit Corporation presents fairly its financial position as of December 31, 1969, all in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
February 13, 1970.

ARTHUR ANDERSEN & CO.

10 YEAR FINANCIAL SUMMARY

16

(all except per share figures in thousands)	1969	1968	1967	1966	1965
Net Sales					
As Reported	\$609,102	\$568,548	\$555,642	\$456,840	\$455,282
As Restated	609,102	568,548	555,642	495,365	484,860
Earnings Before Taxes					
As Reported	67,153	69,009	66,418	52,735	59,875
As Restated	67,153	69,009	66,418	56,221	62,503
Net Earnings					
As Reported	32,971	34,026	35,613	28,070	31,926
As Restated	32,971	34,026	35,613	29,892	33,548
Earnings Per Common Share*					
As Reported	2.41	2.47	2.59	2.14	2.45
As Restated	2.41	2.47	2.59	2.18	2.46
Dividends Per Common Share	1.40	1.40	1.25	1.20	1.05
Book Value Per Common Share, As Restated	20.53	19.62	18.68	17.35	16.34
Shares Outstanding At Year End, As Restated	13,657	13,706	13,771	13,728	13,697
Average Shares Outstanding During the Year, As Restated	13,699	13,780	13,749	13,716	13,653
Additions to Plant and Equipment, As Restated **	18,280	22,898	13,962	12,332	13,945
Depreciation, As Restated	12,013	10,486	9,995	9,134	8,871

Note:

The restated figures shown above reflect those for all major predecessor companies for which McGraw-Edison stock was issued, whether treated as acquisitions or poolings-of-interests, for all years, including those prior to the time such companies became part of McGraw-Edison Company.

Per share figures give effect to the 2-for-1 stock split in 1965.

The figures do not reflect a \$10,000,000 charge and a \$1,808,000 credit to retained earnings in 1964 and 1965, respectively, in connection with prior-year price adjustments.

* Earnings per common share have been restated to reflect the average number of shares outstanding during the periods.

** Additions shown are gross additions, before reflecting retirements and other adjustments.



1964	1963	1962	1961	1960
\$422,153	\$368,347	\$349,174	\$329,192	\$310,173
452,081	397,055	380,004	349,055	358,629
44,485	31,212	34,971	28,297	28,786
46,371	34,403	37,850	29,601	32,632
22,338	15,443	16,517	13,465	13,837
23,603	17,249	18,387	13,990	15,859
1.73	1.20	1.28	1.05	1.19
1.75	1.28	1.37	1.04	1.18
.80	.80	.80	.70	.70
14.77	14.52	13.95	13.33	13.09
13,565	13,478	13,433	13,424	13,414
13,498	13,473	13,429	13,418	13,414
10,868	10,437	9,147	7,012	8,402
8,901	8,367	8,412	8,424	8,149

McGraw-Edison Company made major progress during 1969 in its programs to broaden and strengthen the management group, and to motivate our people to peak performance.

As previously reported, the Company has been in the process of establishing a group vice president concept in order to improve corporate supervision of divisional operations. These men direct, supervise, and coordinate the research, manufacturing, and distribution efforts of each of the separate divisions which make up our three major marketing groups.

In 1969, this program was further implemented with the appointment of an additional corporate vice president, Charles W. Metter. Mr. Metter, 47, who was serving as assistant to the chairman of the board, has responsibility in his new position for several of the Industrial Products Divisions.

Mr. Metter joined the Company in January, 1955. Prior to 1966, he was vice president of Thomas A. Edison Industries, in the Voicewriter Division. He received his BSE and MSE degrees in mechanical engineering from Princeton University, and is a member of the American Society of Mechanical Engineers.

A new director was elected to the board of McGraw-Edison Company at the 1969 annual meeting. Harry T. Marks, 60, president of Ferro Corporation, Cleveland, Ohio, succeeded James W. Overstreet, 81, retired president of our National Electric Coil Division, Columbus, Ohio, and a company director since

1959. Mr. Overstreet chose to retire from the board.

Mr. Marks has been associated with Ferro, a producer of enamels, plastic materials, and chemical specialties, since 1933, becoming president in 1958. Canadian-born, he became an American citizen after moving to the United States in 1936. He is a graduate of the Harvard Business School.

Mr. Marks is a director of Ferro and several of its subsidiaries and of the Central National Bank of Cleveland.

Two new directors were named to the board of McGraw-Edison of Canada Limited at the regular directors' meeting on October 17, 1969. One of those elected was J. C. Barrow, 55, chairman of the board and chief executive officer of Simpsons-Sears Limited of Canada. Also elected was R. J. Collins-Wright, 42, who is president of Simplicity Products Limited, the company which we recently purchased and made a subsidiary of our Canadian operations.

As you were informed earlier, another step forward in the administration of your Company was taken with the formulation of a management incentive compensation plan, effective Jan. 1, 1970. The plan will reward decision-making executives, other than the chairman of the board and president, for extraordinary achievements.



Charles W. Metter, Vice President



John B. Murray, Vice President



Fred H. Plank, Vice President

These corporate vice presidents supervise the activities of McGraw-Edison Company divisions . . . Mr. Metter, some Industrial Products; Mr. Murray, Consumer Products; and Mr. Plank, who is responsible for Utility Products and is president of our Power Systems Division.

McGRAW-EDISON COMPANY DIVISIONS AND SUBSIDIARIES

Consumer Products Divisions

Albion Division

Albion, Michigan

Air conditioners, heaters, humidifiers, dehumidifiers

Bersted and Manning-Bowman Divisions

Boonville, Missouri

Electric appliances, power tools, heaters, fans

International Metal Products Division

Phoenix, Arizona

Evaporative coolers, humidifiers, air conditioners

Laurinburg Division

Laurinburg, North Carolina

Clocks, watches, 24-hour timers

Speed Queen Division

Ripon, Wisconsin

Automatic washers and dryers; coin-op washers and dryers

Toastmaster Division

Elgin, Illinois

Electric appliances, power tools, heaters, fans

Village Blacksmith Division

Watertown, Wisconsin

Gardening tools

McGraw-Edison International Division

Elgin, Illinois

Overseas sales of consumer products

Utility Products Division

McGraw-Edison Power Systems Division

Canonsburg, Pennsylvania

Utility equipment, outdoor lighting equipment

Industrial Products Divisions

American Laundry Machinery Industries

Cincinnati, Ohio

Commercial laundry and dry cleaning equipment

Bussmann Manufacturing Division

St. Louis, Missouri

Fuses and fuse receptacles

Fibre Products Division

West Bend, Wisconsin

Fibre conduit and pipe

Food Equipment Division

Algonquin, Illinois

Commercial food service equipment

Halo Lighting Division

Rosemont, Illinois

Incandescent lighting fixtures
for homes, offices, and stores

Ingraham Industries

Bristol, Connecticut

Appliance timers, gear trains, military arming devices

Lectrodryer Division

Carnegie, Pennsylvania

Atmospheric dryers and industrial dehumidifiers

National Electric Coil Division

Columbus, Ohio

Coils and components for, and repair of, heavy
electrical equipment, and industrial lifting magnets

Thomas A. Edison Industries

West Orange, New Jersey

Industrial and aircraft instrumentation,
electronic components and test equipment,
batteries, dictating equipment

Subsidiaries

British Laundry Machinery Company, Ltd.

Weybridge, Surrey, England

EAC Credit Corporation

Elgin, Illinois; Cincinnati, Ohio;
Los Angeles, California

International Metal Products de Mexico, S. A.

Monterrey, Mexico

McGraw-Edison of Canada Limited

Toronto, Ontario, Canada

McGraw-Edison Pan American Corporation

Elgin, Illinois

OFFICERS AND DIRECTORS

20

Board of Directors

Royal D. Alworth, Jr., Duluth, Minnesota
Alfred Bersted, Elgin, Illinois
Donald S. Elrod, Chicago, Illinois
Raymond H. Giesecke, Elgin, Illinois
Gene B. Heywood, Cave Creek, Arizona
William P. Howlett, Chicago, Illinois
Alfred R. Jube, New York, New York*
William E. Kerr, Pittsburgh, Pennsylvania
John A. Logan, Warren, Ohio
Harry T. Marks, Cleveland, Ohio
Boyd J. Simmons, Chicago, Illinois
Rodgers G. Wheaton, Milwaukee, Wisconsin

*Mr. Jube retired as a director effective February 11, 1970.

Officers

Alfred Bersted
Chairman of the Board
Raymond H. Giesecke
President
Charles W. Metter
Vice President
John B. Murray
Vice President
Fred H. Plank
Vice President
Robert W. Martin
Treasurer
Thomas McKay, Jr.
Secretary and General Counsel
Arthur L. Crandall
Controller
Rudolph M. Swanson
Assistant Secretary and Assistant Treasurer
Leon F. Fiorentino
Assistant Controller
Dante Antonacci
Assistant Secretary

Transfer Agents

The First National Bank of Chicago
Marine Midland Grace Trust Company of New York

Registrars

Harris Trust & Savings Bank (Chicago)
The Chase Manhattan Bank (New York)

Listing

The common stock of the Company is listed
on the New York Stock Exchange.
Ticker symbol: MGR

Annual Meeting

The annual meeting of stockholders will be held
at 2 p.m. Wednesday, April 22, 1970,
at the Continental Illinois National Bank
and Trust Company of Chicago,
231 S. LaSalle Street, Chicago, Illinois.

The following are all registered trade marks of
McGraw-Edison Company:

Speed Queen, Toastmaster, Thomas A. Edison, Buss, Coolerator,
Power House, Manning-Bowman, One-Hour Martinizing,
Ingraham, Halo, Tropic-Aire, Eskimo, Econ-O-Wash, Loadmaster,
Fusetron, Lite-Trend, Village Blacksmith, Kyle, Fostoria, Everhot,
Armetter, Unidor, Fault-Gas, Auto-Booster, Feed-Thru,
Millmaster, Scrapmaster, Power-Trac, Super 20, Supertwin.

McGraw-Edison Company
333 West River Road
Elgin, Illinois 60120

